

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6523-03
Bill No.: HB 2273
Subject: Taxation and Revenue - Sales and Use; Drugs and Controlled Substances; Health Care
Type: Original
Date: April 22, 2014

Bill Summary: This proposal would provide a sales tax exemption for drugs used in the treatment of terminal illnesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would have statewide impact, and would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted this proposal would exempt from sales tax certain drugs and equipment used in the treatment of terminal illnesses. To the extent these products are not already exempt, this proposal would reduce Total State Revenues, and local revenues.

Officials from the **Department of Revenue** assume this proposal would have no impact on their organization but would reduce revenues.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations.

Oversight notes most forms of medication, and many medical supplies and devices are currently exempt from sales tax under existing provisions, and assumes this proposal would provide a sales tax exemption for certain products, devices, repair parts for devices, and disposable supplies not eligible for the existing sales tax exemption. Oversight assumes there would be a limited but unknown amount of sales which would be exempted from tax by this provision; therefore, Oversight will indicate an unknown revenue reduction for the General Revenue Fund, for those other state funds which receive sales tax revenues, and for local governments.

ASSUMPTION (continued)

Oversight notes that tax revenues deposited into the School District Trust Fund are distributed, along with other revenues in the fund, to school districts but will not show those transfers in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Collection charges on sales tax			
Section 144.052	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction - Sales tax exemption</u>			
Section 144.052	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - Sales tax exemption</u>			
Section 144.052	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - Sales tax exemption</u>			
Section 144.052	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

**PARKS, AND SOIL AND WATER
 FUNDS**

Revenue reduction - Sales tax exemption
 Section 144.052

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 PARKS, AND SOIL AND WATER
 FUNDS**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Local Government

FY 2015
 (10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Revenue reduction - Sales tax exemption
 Section 144.052 *

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS ***

(Unknown)

(Unknown)

(Unknown)

* Net of DOR collection charges not shown separately.

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to a small business involved in selling or otherwise providing qualified medical products.

FISCAL DESCRIPTION

The proposed legislation would authorize a sales tax exemption for all sales of United State Food and Drug Administration (FDA)-approved prescription drugs, biological products and devices and provide an exemption for certain non-FDA approved prescription drugs, biological products and devices.

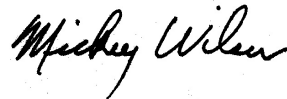
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FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Department of Revenue



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April 22, 2014

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April 22, 2014